31/3 BUDGET 2017/2018
DATE : 23/03/2017
AGENDA : COUNCIL MEETING: 31/03/2017

REPORT : CHIEF FINANCIAL OFFICER

1. PURPOSE

The purpose of this item is to table the Budget for the financial year 2017/2018 to be adopted and implemented from 1 July 2017.

2. BACKGROUND

It terms of section 16 of the Municipal Finance Management Act 53 of 2003, the Council of a municipality must for each financial year approve an annual budget for the municipality before the start of that financial year. In order for a municipality to comply with this section, the Mayor of the municipality must table the annual budget at a council meeting at least 90 days before the start of the budget year. This does not preclude the appropriation of money for capital expenditure for a period not exceeding three financial year, provided a separate appropriate is made for each financial year.

3. DISCUSSION

Attached is the Budget report outlining the budget process and highlights related to the Budget 2017/2018.

In compiling the Budget the municipality has considered its own IDP, Circular No. 85 & 86 of the MFMA and the views of the local community and the Provincial Treasury.

The municipality has focused on the following as part of the overall national priorities:

- To explore opportunities to mainstream labour intensive approaches to delivering services;
- Participating fully in the Extended Public Works Program supporting labour;
- To ensure timely delivery of capital programmers (eliminate under-spending of capital budgets);
- To review all by-laws and development approval processes with a view to remove any regulatory bottlenecks to investment to job creation;
- Ensuring that service delivery and capital projects used labour intensive methods wherever appropriate and
- Implementing intern's programs to provide young people with on-the-job training.

The estimated revenue framework is based on the proposed increases in rates, tariffs and other charges that have been kept at levels limiting the expenditure growth within 6 per cent and at the same time reflecting an appropriate balance between

the interests of poor households, other customers and surety for effective and sustainable service delivery supported by financial viability of the municipality.

The estimated expenditure framework of this Budget also responded to the President's call and emphasis on implementation of cost containment measures and elimination of non-priority spending by all the government institutions. The expenditure containment was also driven by the rising inflation and weaker employment growth which has impact on the ability of all municipalities to generate and collect revenue on services.

When preparing this Budget cognizance was taken of the reforms to local government framework which saw the infrastructure grant system structured to allow municipalities to use conditional grant funds to repair and refurbish existing infrastructure. Furthermore, the municipality benefitted from water grants rationalization into two grants, namely, the regional bulk infrastructure grant is to fund large bulk-water and sanitation projects, and the water services infrastructure grant is to fund construction and refurbishment of reticulation schemes and on-site services in rural municipalities.

It is also important to note that whilst the mSCOA Regulations will only take effect on 1 July 2017, Setsoto Local Municipality as one of the pilot municipalities has converted its current year budget and has since been processing its transactions using mSCOA and therefore the draft budget for 2017/18 hereto tabled has been compiled using mSCOA version 6.1.

4. STAKEHOLDERS CONSULTED

Management

5. LEGAL IMPLECATIONS

Compliance with Municipal Finance Management Act 56 of 2003

6. STAFF IMPLICATIONS

As per the Organisational Structure – Staff compliment

7. FINANCIAL IMPLICATIONS

Annual Budget for 2017/2018 financial year

8. SERVICE DELIVERY IMPLICATION

If the budget is not approved no services delivery can take place. It will hamper the entire municipality to fulfill its mandate.

9. RISKS

If the budget is not tabled, approved and amended as suggested it might lead to votes overspending, with the effect that unauthorized expenditure will occur, leading to a qualification during the audit process. The continuation of service delivery will be ceased with the inception of the budget period starting 01 July 2016.

10. ANNEXURES

Budget document for the year 2017/2018.

11. RECOMMENDATIONS

1. That Council approves the acquisition of a finance lease as per paragraph 1.8 of the Draft Budget 2015/2016.
2. That the draft budget be tabled and adopted by Council.
3. That the draft budget be subjected to public participation:

I. Main Tables:

(a) Table A1: Summary
(b) Table A2: Budgeted Financial Performance (revenue and expenditure by standard classification)
(c) Table A3: Budget Financial Performance (revenue and expenditure by vote)
(d) Table A4: Budget Financial Performance
(e) Table A5: Budgeted Capital Expenditure by vote, standard classification and funding
(f) Table A6: Budgeted Financial Position
(g) Table A7: Budgeted Financial Position
(h) Table A10: Basic Service Delivery Measurement

II. Supporting Tables

(a) Table SA2: Matrix Finance Performance Budget
(b) Table SA8: Performance indicators and benchmarks
(c) Table SA25: Budgeted monthly revenue and expenditure
(d) Table SA26: Budgeted monthly revenue and expenditure (municipal vote)
(e) Table SA27: Budgeted monthly revenue and expenditure (standard classification)
(f) Table SA30: Budgeted monthly cashflow

III Supporting Policies

(a) Investment and Cash Management Policy
(b) Budget Policy
(c) Credit Control and Debt collection Policy
(d) Property Rates Policy
(e) Tariff Policy

4. That the tariff structure as reflected for the 2017/2018 be adopted and approved.

5. That the following budget related policies, namely, Investment and Cash Management Policy, Budget Policy, Credit Control and Debt Collection Policy, Property Rates Policy and Tariff Policy be adopted and approved.

(FOR APPROVAL)

Minutes Council Meeting: 31 March 2017

The Speaker called upon the Executive Mayor to present the draft Integrated Development Plan and the budget 2017/2018

Following the call by the Speaker, the Executive Mayor; Cllr Nthateng Maoke presented the draft Integrated Development Plan and the budget 2017 2017/2018 whereafter the Speaker thanked the Executive Mayor for presenting the report.

Cllr Liphoko on behalf of EFF indicated that they are not in support of the budget since the Executive Mayor did not consult with the Public. The Speaker corrected the submission and indicated that the item is only being tabled and is for approval. The processes of consultation is still to follow as prescribed by the legislation.

After this discussion, Cllr Selasi proposed that the matter be resolved as follows and was seconded by Cllr Ralehlatsi.

RESOLVED:

1. That Council approves the acquisition of a finance lease as per paragraph 1.8 of the Draft Budget 2015/2016.
2. That the draft budget be tabled and adopted by Council.
3. That the draft budget be subjected to public participation:

III. Main Tables:

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(j) Table A2: Budgeted Financial Performance (revenue and expenditure by standard classification)
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